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RUEHKO/AMEMBASSY TOKYO 0702
RUEHWL/AMEMBASSY WELLINGTON 1688
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C O N F I D E N T I A L SECTION 01 OF 03 JAKARTA 002365

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TAGS: [PREL](#) [ETRD](#) [EINV](#) [EAID](#) [PGOV](#) [ID](#)
SUBJECT: ACEH GOVERNOR'S U.S. VISIT FOCUSES ON ECONOMIC
DEVELOPMENT

Classified By: Pol/C Joseph Legend Novak for reasons 1.4 (b)(d).

11. (U) This is a joint Medan-Jakarta message.

12. (U) Summary: Aceh Governor Irwandi Yusuf will visit the United States September 9-26. The visit includes stops in multiple cities and meetings with a range of companies and government officials. In Washington, he will also meet with the World Bank and International Finance Corporation (IFC) to discuss carbon trading and forest preservation. Irwandi is trying to line up future commercial partners to develop the province's economy. Political stability at home and the continued smooth unfolding of the peace process lend credibility to his sales-and-investment pitch. The governor should be encouraged at every stop to focus more energy and attention on producing an economic development plan. He will participate in the United Nations Aceh Donor Summit in New York on September 25-26. End Summary.

13. (U) Aceh Governor Irwandi is visiting the United States for two and a half weeks with a business delegation in search of future commercial partners. His itinerary includes stops in New York, Washington, D.C., San Francisco, Eugene (Oregon) and Seattle.

PEACE PROCESS ON TRACK

14. (SBU) Irwandi's visit occurs against a relatively quiet political background. The Aceh peace process based on the Helsinki Memorandum of Understanding of August 2005 continues to move forward relatively smoothly. The Law on the Governance of Aceh (LOGA), issued by the central government in August 2006, implements most of the Helsinki MOU. Scattered use of the controversial GAM flag continues to ruffle Jakarta's feathers, and there have been several violent incidents involving members of the security forces and former GAM members. But generally, both sides have refrained from accentuating the differences that remain, and appear confident that these can be resolved over time. The Truth and Reconciliation Commission specified in the Helsinki MOU has yet to be created, but GAM also has yet to provide a full list of its members.

15. (C) As Aceh's first directly elected governor and a former leader of the Aceh Independence Movement (GAM), Irwandi Yusuf's election embodies the success of the peace process. Elections to the provincial legislature (DPRD) will take place in 2009 to replace the current legislature, elected in 2004. Following a poor performance in the gubernatorial elections last December, Golkar and the Prosperous Justice Party have redoubled their political investment in the province. So far the so-called GAM party and two others have applied to register, and others are expected to as well, including at least one new one claiming to represent former GAM members.

16. (C) Irwandi's record in office has been mixed, and he has yet to take the reins of government firmly in hand. He has kept the Aceh-Jakarta relationship on track and strengthened cooperation with the Aceh Recovery and Reconstruction Agency (BRR), through which the central government's assistance flows. But he neglected to define policy goals and has yet to devise a comprehensive economic development strategy for the province. Instead, he has spent an inordinate amount of time on travel outside the province. Irwandi's supporters and foes alike complain about his weak leadership, planning and management.

ECONOMIC DEVELOPMENT IS KEY

17. (SBU) Aceh now has more economic activity than before the tsunami but remains heavily dependent on foreign assistance.

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The sustainability of the peace and reintegration process will hinge largely on private-sector economic development. Employment for former GAM members will be important in keeping them on board. Currently, assistance is fueling an

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economic boom in Banda Aceh and along much of the west coast.

A two percent autonomy fund will begin to flow in 2008, but the mandate of the Aceh Relief and Reconstruction Agency (BRR), created in 2005 to respond to the tsunami disaster, expires in 2009. Before the reconstruction boom is over, Irwandi must find new sources of capital, especially from the private sector, to avoid a hard landing.

EMPHASIS ON AGRICULTURE AND NATURAL RESOURCES

18. (U) Irwandi is looking to agriculture and agribusiness in products such as coffee and palm oil to supply much of the new investment and job creation. Aquaculture farming is another natural choice for Aceh, as is development of Aceh's Sabang port facility. While donors provided robust assistance after the tsunami, including for port and other infrastructure reconstruction, much remains to be done and the province lacks the funds and expertise to develop them on its own. Irwandi's stops include meetings with major U.S. players in these sectors.

19. (SBU) Aceh's natural gas exports remain a significant source of income, at least for the immediate future. Aceh gas fields account for more than a third of Indonesia's gas exports and contribute around \$100 million per month to government coffers. ExxonMobil (EM) is the largest foreign firm in Aceh, and PT Arun, of which EM owns 35 percent, operates the gas-processing plant at the Arun gas fields. Irwandi will meet with senior EM officials while he is in Washington, D.C. (Note: The WDC-based International Labor Rights Fund (ILRF) filed a lawsuit against EM in 2001 alleging joint accountability with the Indonesian military (TNI) for human-rights abuses in Aceh during the civil conflict because of EM's employment of TNI soldiers to protect its natural gas operations. The Indonesian government and EM have sought to have the case dismissed on foreign-policy ground. Irwandi has expressed indifference about the case. End Note.)

FOREST PRESERVES AND CARBON TRADING

¶10. (U) Irwandi will use his meetings with the World Bank, the International Finance Corporation (IFC) and other donors to solicit additional support for: Infrastructure development; a land reform scheme to transfer land to the poor and former combatants; and environmental projects (including the Leuser Ecosystem). The latter are in connection with his logging moratorium and potential forest carbon credits. (Note: Logging moratoria in Indonesia are often unsuccessful due to lack of enforcement, and even sometimes make a situation worse since illegal loggers find opportunities when larger "legal" timber, pulp and paper companies are shut out of an area.) The World Bank's Forest Carbon Partnership Facility, which may be launched at COP 13 in Bali and become operational by 2008, could hold considerable opportunity for both Aceh and Papua in preserving large tracts of forest through "compensation for conservation." The IFC's reconstruction assistance projects, which are coordinated with the Aceh Investment Promotion Board (BKPM), include improving the business environment, restoring livelihoods, increasing access to finance and developing local business services.

MEETINGS WITH CONGRESS

¶11. (SBU) In addition to Department officials, Irwandi plans to meet in Washington with congressional leaders, including Rep. Wexler and the Indonesian Caucus, and Chairman of the HIRC East Asia Subcommittee Rep. Faleomavaega.

U.S. ASSISTANCE TO ACEH

¶12. (U) Since the 2004 tsunami, USAID has poured \$500 million into Aceh. That includes the centerpiece West Coast Highway (\$245 million), scheduled for completion in 2010, the construction of over 1,000 homes for tsunami victims,

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rehabilitation of highland coffee plantations, anti-trafficking awareness campaign, as well as democratic governance, education, health and environmental projects. The USG has invested nearly \$3 million in support of the Aceh Reintegration and Peace Agency (BRDA) and the Aceh provincial government entity charged with implementing the Helsinki peace accord, and recently set aside another \$7 million for grants to consolidate the peace. A further \$17 million program will contribute to international efforts led by UNESCO's Intergovernmental Oceanographic Commission (IOC) to develop tsunami warning capabilities in the Indian Ocean.

COMMENT

¶13. (C) Irwandi is scheduled to attend a UN Aceh Donor Summit in New York on September 25 or 26. This summit may be designed primarily to thank donors for their many contributions, in which case we see no objection. However, if its purpose is to make yet another pitch for donations, USG officials should discourage it.

HUME